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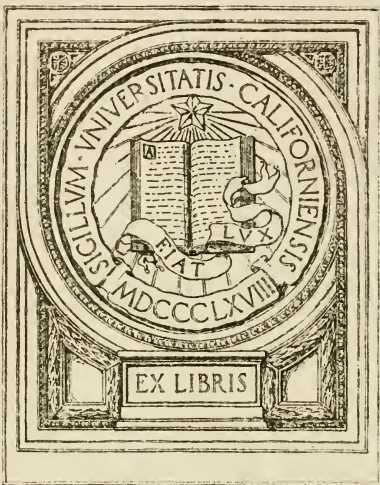


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The Empire Aspect of Preference

BY
SENATOR PULSFORD
OF AUSTRALIA



Published by **CASELL AND COMPANY, LTD.**,
La Belle Sauvage, Ludgate Hill, London, E.C.,

FOR THE
COBDEN CLUB, Caxton House, Westminster, S.W.
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The Empire Aspect of Preference

WILL the Preference sprat catch the British whale? This is an interesting question, but it is probable that very few people know how small, comparatively speaking, the sprat really is. Small as it is, however, it is yet in vogue with quite a number of people, though already it is associated with much failure. To give a brief review of its history, to record some of its failures, and to show some of its dangers, are the objects sought by the writer. The special cry of the Preferentialist is "The Empire." This brings at once to remembrance the fact that the Empire flag floats over populations aggregating four hundred millions and more; and it comes as something of a shock when it is found that the great majority of these are, as often as not, excluded from any share in a Preference effusively granted, and—that, in fact, the "Empire Preference" is at times a penalty as between one part and other parts of the Empire.—

The self-governing Colonies extend over vast areas of the most fertile and glorious regions of the world, and their ultimate possibilities of sustaining population have in the past led to dreams of impossibly rapid growth in this direction. At the Colonial Conference in Ottawa

in 1894, the Hon. G. E. Foster, the Canadian Minister of Finance, in supporting Preference, said* :

“Though the weight of the Empire, so far as population is concerned, is to-day in the islands, the Empire comprises outside territory which has a large population to-day, and which twenty-five years from now will have the largest proportion of the population of the British Empire.”

At a later period of the same Conference, Mr. Foster remarked† :

“In twenty years’ time the larger part of Britain will be outside of Great Britain.”

Another Canadian, Mr. Colmer, wrote‡ :

“It cannot be many years before the population of the Colonies will exceed that of the Mother Country, judging by the experience afforded in the United States.”

These quotations indicate the common tendency of lovers of Preference to speak as if the United Kingdom and the self-governing Colonies alone constituted “The Empire.” The predictions that in twenty or twenty-five years from 1894, or in not many years from 1896, the self-governing Colonies would contain more people than the United Kingdom already look ridiculous, for, instead of being nearer the United Kingdom in the number of their population, they are actually further behind than they were. Since the census of 1891 the population of the United Kingdom has increased by a number exceeding that of the entire population of to-day in either Australia or Canada. During the eighteen years since 1891, spite of emigration, the population of the United Kingdom has increased about seven millions. But the

* Proceedings Colonial Conference, 1894, Sessional Papers (5B), Canada, p. 208.

† Ibid, p. 234.

‡ *Statist Prize Essay*, 1896, p. 4.

whole of the self-governing Colonies have only increased, with immigration included, about four millions.* Whilst, therefore, the aggregate population of the whole of the self-governing Colonies in 1891 was twenty-nine millions less than that of the United Kingdom, to-day the aggregate is thirty-two millions less. Of the British subjects spread over the United Kingdom and the self-governing Colonies, three-quarters of the whole are in the United Kingdom. If even it were right, instead of distinctly wrong, to ignore the vast populations of India and the Crown Colonies, the fact that only one in four of the white subjects of the Empire is in the self-governing Colonies might reasonably be expected to influence all minds.

In another direction, and a significant one, events have signally falsified the predictions of the promoters of Preference. Spite of all the teachings of experience as to the failure of even heavy restrictive duties to effect their object, it has been unhesitatingly affirmed that Preference, even a small one, is capable of diverting large volumes of trade from one to another channel. Sir Charles Tupper, of Canada, at the Congress of Chambers of Commerce held in London in 1892, proposed a resolution asking for "a slight differential duty," and afterwards added the words "not exceeding five per cent." In 1896 Mr. Colmer, in his *Statist* prize essay, suggested "small duties, equal to about three per cent." At the Ottawa Conference the Hon. Mr. Foster spoke of one per cent. being "probably quite sufficient" to handicap German trade. Take as another illustration the following quotation from a letter written in 1891 by the late Right Hon. Sir John Macdonald, Prime Minister of Canada† :

* White people only reckoned in South African figures.

† *Statist* Prize Essay, p. 15.

“She (Canada) will be quite ready to give British goods a Preference of five or even ten per cent. in our markets. . . . With such a differential scale of duties as I suggest, all manufactures that we do not make ourselves would be supplied by the Mother Country.”

It would be difficult to make a more emphatic assertion on the subject than this one made by Sir John Macdonald, and it would be equally as difficult to find a prediction on any subject that events had more completely disproved. (Canada has given five and ten per cent., and even more, Preference to British goods for the past ten years, and yet the volume of manufactures imported into Canada from foreign countries has greatly increased.) To-day believers in Preference do not find it to be the easy task they imagined it would be to support their policy by a simple reference to the trade returns. If the proof of the pudding is in the eating, then the Preferential pudding evidently does not come up to expectations. Mrs. Partington was quite as much justified in thinking she could control the Atlantic with her broom as are politicians in thinking they can control vast volumes of commerce with taxes so trifling that they feel safe in saying the prices of the commodities taxed will not be raised. ✓

(There is a marked change in the Preferential atmosphere in the United Kingdom in regard to the terms on which Colonial produce should be admitted to the markets of the United Kingdom. (Canadian and other Colonial Preferentialists, with a blissful disregard alike of probabilities and of experience, asked the United Kingdom to become Protectionist as regards imports from foreign countries, and to remain Free Trade as regards imports from the self-governing Colonies.) In the name of “The Empire” this extraordinary com-

bination of opposite policies was accepted by certain politicians in the United Kingdom, but the inevitable has happened. (Already many of those British politicians who began the descent of the Protectionist declivity, intending to stop midway, declare their intention of continuing their journey till they reach the ditch at the bottom; in other words, they propose to tax imports from all the Colonies as well as those from foreign countries, though they would levy higher rates on the latter.) One wrong step leads to another, and this change in the United Kingdom may be accepted as indicative of the certainty that, if the policy of restriction were once adopted, the first duties would be only as the thin end of the wedge to those that would follow in the course of time. Colonial Preferentialists would then probably be found longing for a return of the days when the world's greatest market was free to them.)

(It is specially worthy of note that the growing efforts to force Preference on the United Kingdom have been simultaneous with the almost complete failure of the self-governing Colonies to arrange the system between themselves.) This is an important point, and it illuminates the whole situation. That the self-governing Colonies have failed to arrange between themselves those schemes of Preference which they urge the Mother Country to arrange between herself and them must attract the attention of the least observant. A policy which a man recommends to others, but hesitates to adopt in his own case, must be of doubtful value. It will be very profitable to examine in some detail the history of Preference between the self-governing Colonies. (The Ottawa Conference of 1894 was the first step of importance. In Canada and Australia for years before that date) wishes had been expressed for power to permit of local Preferential arrangements being made; but though the

British Government passed an Act in 1873, giving the requisite powers, "nothing came of that legislation between 1873 and 1895,"* than which fact nothing can more effectually show the hollowness of the whole business. Now as to the Ottawa Conference, its origin and its work.

In 1893, which was a time of acute and widespread commercial distress, the Canadian Government despatched the Hon. Mackenzie Bowell, Minister for Trade and Customs, on a mission to Australia and New Zealand, "with a view to promote the extension of trade between Australasia and Canada," and nothing more, except to confer on the subject of a Pacific cable. On his return to Canada, Mr. Bowell made a report on his mission to the Governor-General, the Earl of Aberdeen. The report affirmed that "there can be no doubt" of "a large and profitable trade" springing up between the two countries, provided proper enterprise were shown. And, said Mr. Bowell† :

"After consultation with the Premiers of New South Wales, Victoria, Queensland and South Australia respectively, it was deemed advisable that all the Colonies should send delegates to Canada for the purpose of a conference upon matters of joint interest. The two chief items were understood to be: (1st) *Closer trade relations between Canada and the Australasian Colonies*; and (2nd) the laying of a Pacific cable of an exclusively British character."

The report also quoted from the speech of Lord Hoptoun, proroguing the Victorian Parliament shortly after he (Mr. Bowell) left Australia, in which the purpose of the visit was declared "to have been to establish trade

* *Statist Prize Essay*, 1896, p. 11.

† *Mission to Australia*, Sessional Papers (5A), 1894—Canada.

relations *between Canada and Australia.*" This mission was in 1893, and the conference which was proposed was held in 1894. The Canadian Government broadened the basis of the conference by including the Cape of Good Hope, Newfoundland, etc., in the list of invitations; and at their wish the British Government was represented, the delegate being the Earl of Jersey.

The conference opened in Ottawa on June 29th, 1894. In his opening address, the President (the Hon. Mackenzie Bowell) said* :

"This conference is the direct outcome of the policy of the Canadian Government in its efforts to extend trade in every direction, *more particularly with its sister Colonies.*"

Whilst in Australia he had discussed the subject of more extended trade relations "between Canada and Australia by means of modifications of tariffs."† He also outlined a scheme to draw all the Colonies into a federation on a uniform Preferential basis.

The Hon. G. E. Foster, the Canadian Minister of Finance, made several emphatic speeches. "We are," he said, "a Colonial conference; we are brought here to look after Colonial interests first." The delegates had, he said, come together from the distant parts of the earth, and the sympathy of not a single Canadian would be given to them unless they joined in arranging an extension of trade. He added :

"Are not we here because *we want to make arrangements with one another*, and it seems to me that every resolution that we pass at this table, if it is to be of any consequence at all, must be followed by practical action."

Before the conference ended the delegates informally

* Ottawa Colonial Conference Record, p. 22.

† Ibid, p. 24.

discussed "the details of Colonial reciprocity," and the special commodities their respective Colonies could supply, in some cases producing samples. In this connection Mr. Foster said that "Canada ought to be given a first-rate position" in regard to agricultural implements in the other Colonies, and he expected they would be able to "add a very great deal to the trade" between Canada and Australia. In his closing speech the President said :

"My desire as a British subject is to see *the Colonies trade among themselves*, and with the Mother Country, if she will let us. . . . There are scores of things in which we could trade profitably with each other."

The words "if she will let us" were remarkably *malapropos*, seeing that the Mother Country alone of all the Empire and all the world stood wide open to Canadian exports; but these words were remarkably *apropos* of the whole trend of Preferential logic then and ever since.

The conference passed resolutions to the effect that the Colonies should have power to make tariff arrangements with Great Britain or with one another; that treaty engagements limiting the power of the self-governing Colonies were to be deprecated; that Preference between Great Britain and her Colonies was advisable; and then: "Further resolved: That until the Mother Country can see her way to enter into Customs arrangements with her Colonies, it is desirable that, when empowered to do so, the Colonies of Great Britain or such of them as may be disposed to accede to this view, take steps to place *each other's products* in whole or in part on a more favoured Customs basis than is accorded to the like products of foreign countries."

In his report to the British Government, Lord Jersey said :

“It was clearly the opinion of all the Colonial delegates that *it is desirable that the Colonies represented should make arrangements with one another*, and, if possible, with Great Britain.”

His Lordship's report ended with lists of the commodities which had been suggested as suitable for inclusion in tariff arrangements *between the Colonies*.

The conference closed with all-round expressions of kindness, the delegates returned to their respective Colonies and promptly went to sleep. It does not seem too much to say that if Canada had not, three years later, passed her Tariff Act according Preference, in all probability nothing more would have been heard of Preferential arrangements between the self-governing Colonies. As it was, a further seven years passed before a single such agreement was made between any of the Colonies themselves. Since then other agreements between Colonies have been concluded; but now, in this year 1909, fifteen years after the Ottawa Conference, the Preference actually existing between the self-governing Colonies can only be likened to a blighted harvest as compared with the abundant one predicted so confidently at the conference in 1894. To-day we have the cold fact that neither Canada nor Australia gives the slightest Preference the one to the other. The Preferences that exist between Colonies are in connection with South Africa and New Zealand; that is, with the smaller populations.

The five self-governing Colonies aggregate between them rather over thirteen millions of people,* and of these nearly eleven millions are in Canada and Australia. The Preferential arrangements existing to-day between the Colonies do not, it is safe to say, cover more than one-fifth of the trade that would have been covered had

* Excluding coloured people in South Africa.

each of them given Preference to all the others. As a matter of fact, Australia was a reluctant participator in the Preferential resolutions of the Ottawa Conference, but Canada and Australia were the main factors of that conference, and to-day they are infinitely farther apart—so far as tariffs can separate—than they were in 1894.

According to the last available returns* the aggregate imports of Canada, Australia, New Zealand, Newfoundland and South Africa from each other were £5,493,726, and of this aggregate only the insignificant total of £38,132, less than one per cent., was subject to Preference. So that it is evident there is “much cry and little wool.” Truly this is Preference reduced to an absurdity. South Africa makes a much better show, but her rates of Preference are so small—about three per cent., more or less—that they do little to influence imports.

Mention has been made of the expectation of Canada that she would be given “a first-rate position” in Australia in regard to agricultural implements, in which, in 1894, she was already doing a fair trade, with little or no duties to meet. In 1906 an almost prohibitive duty was imposed by Australia, and the last word in this matter is that, in January of this year, Dr. Coulter,

* The Statistician of the Commonwealth has supplied the following figures, which are exclusive of specie, and, as regards Canada and South Africa, are on goods entered for consumption, and in each case are from the latest statistics available in Australia at the time of writing.

Aggregate imports into each self-governing Colony from the other four :—

	Total.			Subject to Preference.
Canada	£542,300	...	...	£336
Australia	1,602,122	...	...	7,935
New Zealand	2,584,903	...	...	29,861
Newfoundland	764,401	...	...	—
	<u>£5,493,726</u>	...	...	<u>£38,132</u>
South Africa	£2,107,567	...	...	£1,835,598

Deputy Postmaster-General of Canada, who was in Australia at the time, accompanied by Mr. Larke, Trade Commissioner for Canada, had an interview with Mr. Tudor, the Australian Minister for Trade and Customs, to discuss yet again the subject of reciprocal trade. At this interview Mr. Tudor informed his visitors that Australia preferred to make her own machinery and did not require Canadian. Perhaps there is another word to say on this subject of agricultural implements. At the very time Australia, in 1906, raised the duty on harvesters, from an *ad valorem* duty equal to about £5 each to the practically prohibitive specific duty of £12, she passed the South African Preference Act, under which harvesters from South Africa may be admitted at a reduction instead of an advance on the lower of these rates; that is, about £4 from South Africa against £12 from Canada. The Preference given by Australia to South Africa in this article, and indeed in others also, is, in plain words, bogus. It would not have been granted except for the known fact that South Africa does not make harvesters. No Preferential reduction is made on this article even to the United Kingdom, which must pay the full £12, or three times the rate agreed upon with South Africa. This is a novelty in Empire building.

Whilst Preference between the Colonies has been a plant of slow growth, retaliation between them has not been entirely absent, as the following incident will show. New Zealand is a large exporter of timber, and when Australia arranged her first Federal tariff, certain duties were placed on undressed timber, and higher duties on dressed. New Zealand did not like this, and promptly responded by passing an Act levying an export duty on undressed timber. Australia and New Zealand, by import and export duties respectively, trying to wrest each from

the other the work and profit attaching to the dressing of timber.*

These lengthy references to the Ottawa Conference and to later developments are justified because they draw attention to a phase of Preference that is being lost sight of by the public. It will be seen that the agitation was started with the intention and the expectation of arranging a system of Preference between the self-governing Colonies, and that glowing predictions were made as to the results that were to follow therefrom. It is equally clear that the expectations have not been realised, and that "Failure" is written in large letters on the schemes for Preference between the self-governing Colonies.

Having considered the position of Preference between the self-governing Colonies themselves, it is now time to consider the position with regard to the Preference given by them to the rest of the Empire; and bearing in mind the alleged cement-like qualities of Preference, it will be profitable to examine the various grants in detail. The Canadian Preference, dating from 1897, is marked by a broad-minded simplicity. The Preference given covers the whole range of dutiable commodities,† is liberal in amount, and extends to the products of both the white and the coloured subjects of the Empire, Newfoundland and Australia excepted. The New Zealand Preference is limited to a rather small portion of the dutiable imports, but, like the Canadian, it extends to the products of both the white and coloured subjects of the King. The South African Preference is much less

* One of the New Zealand Ministers, Mr. Walker, addressing the Legislative Council, said, "We say if you want our timber for butter boxes, you must allow us to saw it and pay our own men for the work." The bill, he said, was not a reprisal against the Commonwealth, it only meant that New Zealand must protect her own industries.

† Intoxicants and narcotics excepted.

in amount than the Canadian; it covers, however, a large proportion of the imports subject to duty; but the products of India and the Crown Colonies are excluded from its benefits. The Australian Preference covers a selected, but fairly considerable, range of imports, is moderate in amount (more than the South African and less than the Canadian), but it is limited to the products of the United Kingdom; the products of India and the Crown Colonies being excluded. Newfoundland gives no Preference. Canada created Preference by reducing existing duties on Empire imports; Australia, New Zealand and South Africa created Preference by raising duties on imports from countries outside the area of Preference. The creation of Preference by raising duties in one direction, instead of reducing them in another, is a course that must be judged by the height of the rates dealt with, and by a comparison of the rates after the respective changes have been made.

The Preferences were given in all cases with declarations that they were very valuable, and then Australia and South Africa excluded 330,000,000 out of 375,000,000 people* from the area of preference. True, the many millions are poorer than the few millions, but that seems a reason for remembering, not for ignoring, them; true, they are without political power, but this should ensure the safeguarding of their interests by those who have political power.

That the whole scheme of Preference is bad is no defence for those who, asserting it to be good, legislate in connection with it, as Australia and South Africa have done. Leaving out of question the sincerity of those who pass such legislation whilst claiming that Preference is a most excellent Empire-cement, one can only wonder alike at their judgment and their logic. The open slight

* 330,000,000 India and Crown Colonies, 45,000,000 United Kingdom.

of the myriads of the coloured subjects of the Empire involved in this differential Preference is deeply to be regretted. To slight people with the view of attaching them to you seems likely to end in failure. To speak of these millions being "excluded" from a Preference is a weak way of presenting the matter. It is more correct to speak of their being penalised, and this by their fellow subjects, for they are called upon to submit to higher duties on goods shipped by themselves than those charged on similar goods shipped by some other parts of the Empire. Insult is added to injury when they are told that the system under which this penalisation prevails is specially intended to build up the Empire. The introduction of the colour line into the tariff of any country flying the British flag is a matter of the utmost gravity, and all the more so when it is done in the name of "The Empire." In the Australian Act, giving Preference to South Africa, the schedule reduces the amount of the Preference on sugar when it is "produced wholly or partly by black labour." Let it be remembered by all who love the Empire that this is a tariff development due entirely to Preference. It is an abuse of language to talk of legislation which differentiates between peoples of the same Empire as tending to cement them together.

In many quarters there is a distinct tendency to (1) over-estimate the gain to the United Kingdom from Preference in the Colonies, (2) under-estimate the loss to the United Kingdom that would result from giving Preference to Empire products, and (3) under-estimate the value to the Colonies of the Free Trade policy of the United Kingdom.

First, the over-estimate of the United Kingdom gain by Colonial Preference. Much time has been spent in trying to extract from statistics, especially those of Canada, evidence that the United Kingdom has greatly enlarged

its exports by reason of Preferential duties. There need be no hesitation at all, especially on the part of Free Traders, in recognising that trade is increased by reduction of duty, more especially so in these days when competition runs high and business is done on small margins of profit. All other conditions being equal, a difference of $2\frac{1}{2}$ per cent., and even less, will often determine the destination of orders. But many other factors have to be considered. When a reduction is made in the duty on an article in which the United Kingdom already practically has a monopoly, the main result is a reduction of taxation in the importing country. The same result is arrived at when the reduction is on an article, like sugar, for instance, for which there is always a substantial world-price. It makes little or no difference to the world's trade in sugar that Canada imports from the British West Indies, instead of from Cuba or Europe: the balance left for the rest of the world is the same, and the world-value is unaffected. If the British West Indies did not sell their sugar to Canada, they would sell it to other countries, realising probably the same price. The reduction of duty gives Canada cheaper sugar, which, of course, is a good thing, though it is said Canadian refiners have at times retained the whole reduction for themselves, which is not a good thing.

Then with regard to manufactured goods. People who have been in possession of a trade for a long time will fight against efforts to take it from them; they will try to economise in manufacture, possibly at the expense of the quality; they will ask for lower freights; they will cut their own profits, and so, often, succeed in meeting the extra five or ten per cent. levied against them. It is also to be remembered that there is a reflex action from Preference in the Colonies which affects British trade. Foreign countries take large quantities of Colonial pro-

ducts, and have to pay for them. In the ordinary course of trade, in discharge of such liabilities, they ship large quantities of goods. If, however, the Colonial tariffs differentiate against foreign goods, and British are imported instead, then the foreign countries have moneys in hand which the shippers of the British goods require. This position influences the exchanges and facilitates the export of goods from foreign countries to the United Kingdom; in short, so long as the Colonies are selling their produce to foreign countries, their legislation, which confers a benefit on the importation of British goods into the Colonies, at the same time acts as a bounty on the exportation of foreign goods to Great Britain. Obviously, therefore, Colonial Preference on British goods acts in more ways than one, and it is a question of the balance between gains and losses.

Second: Under-estimate of the loss the United Kingdom would sustain in giving Preference on imports from the rest of the Empire. The imports into the United Kingdom consist mainly of staple articles, which are ruled by world-prices. If wheat were subject to a duty of one, five or ten shillings per quarter from foreign countries above what was levied on Colonial, a protected market would be created extending over the whole Empire, and Colonial sellers would only dispose of their wheat at the world's value plus that duty, whatever it was. The wheat growers of the United Kingdom would exact the same advance. On wheat alone this would mean many millions of pounds to British taxpayers. There is no question that this is so. Colonial politicians know this, and use it as an argument to support Preference when speaking in their own Colonies. Thus, Sir William Lyne, speaking in Sydney in 1904, estimated that Australia would benefit to the extent of £700,000 by increased prices of foodstuffs sold in the United Kingdom. "Nothing short of 10 per

cent. would prove of much practical value," said Sir William; and that percentage was the basis of his calculation. The aggregate of the enlarged payments to producers in the Colonies and in the United Kingdom would be considerable, even at a low range of duties, and a material addition to the cost of living, apart from the taxation levied on the imports from foreign countries.

Third: Under-estimate of the value to the Colonies of the Free Trade policy of the United Kingdom. The inability of some people to recognise that Britain's Free Trade policy has been of superb advantage to the Colonies is really surprising. Never before in the history of the world have powers of self-government been given to Colonies as they have been by Great Britain, and it is worthy of note that the Free Trade era was simultaneous with the era of self-government. Free Trade is essentially a form of liberty; its spirit and its purpose mean liberty. If the old spirit of rigid Protection had not been cast out of Great Britain there would have been no self-governing powers granted to over-sea Colonies. How could there have been? Are the facts of history forgotten? When the Empire lay in the grip of Protection trade in the Colonies was curbed for the sake of the manufacturer, the shipowner and the capitalist of England. Lord Chatham, whose name stands high in British history, declared in Parliament that the British Colonies of North America had no right to manufacture even a nail for a horseshoe. It is a big, black chapter in British history that records how, in all sorts of directions, British Colonists—and the Irish people likewise—were prevented from trading when it was thought such trading might injuriously affect anyone in England. A writer* lately referred to Philip of Spain, in 1564, having forbidden Spanish colonists to trade with foreigners; but even two

* Mr. Bond in the *British Empire Review*, June, 1908, p. 217.

centuries, and more, later than that, English legislation prohibited English Colonies from selling their produce to foreigners,* and Ireland was prohibited from shipping the product of her looms to any country whatever.† Whilst that sort of tyranny reigned supreme, self-government for the Colonies was an impossibility.

It is said that "Preference is not a new movement," that "it was the historic policy of England."‡ Than this it would surely be impossible to frame a sentence more full of error; the little element of truth which it contains makes it all the more misleading. The first factor of that "historic policy" was, beyond the shadow of a question, rigid Protection against both foreign countries and British Colonies. In regard to the British Colonies, in some cases where it was absolutely certain no English interest or industry would be subjected to competition, reductions in duty were made. So far as wheat was concerned, the Preference was given under a sliding scale, and from time to time the duties were suspended, the Preference varied, and at times vanished; the interests of the British farmer ruled legislation all the time, except when fear of famine compelled a reluctant Parliament to suspend duties.§ The Preference that the United Kingdom is asked to give to-day does, in fact, represent "a new movement." The old position was one of enormous taxation and restriction of trading rights, mitigated by some concessions to the Colonies: to-day it is asked that special advantages may be given to the Colonies, but that the enormous taxation and the restrictions that formerly accompanied Preference be not imposed. There is not much "historic policy" about that.

* McCulloch "Commercial Dictionary," p. 349.

† Commercial Tariffs of the United Kingdom, presented to Parliament, 1898.

‡ Tariff Commission's Colonial Preference and Imperial Reciprocity, June, 1908.

§ The author, in his "Commerce and the Empire," pp. 58 and 59, gives a number of illustrations of the illusory character of this Preference on wheat.

Having considered these three tendencies, it may be worth while, very briefly, looking at the progress made by Canada, in view of the fact that in that country, perhaps more than in any other part of the Empire where a restrictive policy has been adopted, a belief is largely held that internal expansion results from external restriction—that the growth of Canada may be attributed to the Canadian tariff. Preference is now linked with that tariff, for which it is both an excuse and a bulwark. The policy of restriction, or Protection, as some prefer to call it, was adopted by Canada in 1879. How did population respond to this tariff policy? Census returns show that in the ten-year periods ending 1881, 1891 and 1901 the increases of population were 21, 12 and 11 per cent. The big increase was in the first period, when only two of the ten years enjoyed the exhilarating effect of the tariff, and with this first period the second and third, which were really under the tariff, compare very badly. Since 1901 there has been a marked increase, yet the highest estimate of the increase up to this year (1909) does not represent a greater percentage increase than that of the pre-tariff period. So much for population. Prosperity of a very notable character has undoubtedly existed in Canada for some years up to quite recently, but this is clearly traceable to (1) the expansion of natural industries, resulting in an immense increase of exports, and (2) the importation of very large amounts of capital. During all this time the protected manufacturer in Canada has had nothing to do but sit tight, rake in the dollars, and, surveying the prosperity of the country, say "I did it." It is noteworthy that during the years of exuberant prosperity the imports of commodities into Canada reached a vast and unprecedented flood, and that, as the flood lessened, so did the prosperity. The statistics of Australia and of New Zealand are full of evidence to the same effect. In all the

Colonies the experience has been the same, big imports and good times have gone together. Even manufacturers in the Colonies have been able to employ more labour in times of large than in times of small imports. Anyone can see these facts for himself, and, if seeing and believing went together in all cases, restrictive tariffs would be in grave danger. Possibly there is a Protection microbe that affects the mental vision of its victims.

The Protection-Preference system works out as follows : If £100 of cotton or linen dresses be made and sold in Australia, the manufacturer will pay just £0 os. od.* If £100 of British-made be sold in Australia, £35, plus 10 per cent. = £38 10s. must be paid. If £100 of foreign-made be sold, £40, plus 10 per cent. = £44 must be paid. Then the Australian manufacturer boasts of "how good we are to the dear Mother Country." As a matter of fact, "the dear Mother Country" is exceedingly useful to the Colonial manufacturer; skilfully dangled before a Colonial Parliament, extra Protection may be secured.

It is a matter of real regret that in any Colony giving a Preference any feeling should exist that Great Britain was taking something for which she gave nothing. This is one of the real dangers attending Preference. At the Ottawa Conference in 1894 one of the Canadian Ministers, Mr. Foster, said :

"I say, as far as I am concerned—and I think as far as Canada is concerned—the day will be considerably distant when we will propose, if it is not to our advantage somewhat, to give very great commercial advantages to the British Empire without receiving something in return."

Yet three years later, under the guidance of another Ministry, Canada, unasked and without any return, gave

* If he used foreign instead of British goods he would pay 5% on the cost of such material. The Protection shown in this illustration is happily above the average.

a very substantial tariff Preference. This Preference has been continued to the present, and at the Colonial Conference of 1907 the Prime Minister of Canada, Sir Wilfrid Laurier, in spite of much pressure to take up a contrary attitude, would not press for something in return. The Empire owes much to the dignified reticence of Sir Wilfrid. It is clear, however, that a number, perhaps a considerable number, of people in Canada think that their policy of Preference is of very great value to British trade, and thinking so, they very naturally hold views similar to those expressed by Mr. Foster in 1894 to the effect that a Preference given by a Colony calls for a return Preference from the Mother Country. It is, therefore, of the highest importance that sound views should be held of the value, influence and consequences of Preference. Very numerous instances could be mentioned of Colonial politicians who have strongly insisted that it was the duty of Great Britain to give Preference to her Colonies, and it is probably because of this insistence that the Tariff Reform party in England have presumed to speak of "the Colonial demand."*

The love and devotion of the people of the self-governing Colonies—the sister nations—to the King and Empire are quite as intense as are those of the people who live in the heart of the Empire, and herein lies a great danger. Patriotism is often used as a cover for schemes of the most extreme selfishness, and when national feeling has been worked up to a white heat, steps may be taken, legislation may be enacted, without that cool judgment and

* The words quoted appeared in the *Monthly Notes on Tariff Reform* of June, 1907. Another rash statement appeared in the Tariff Commission report on "Colonial Preference and Imperial Reciprocity," July, 1908. It was affirmed that at the 1902 Conference "The Colonial Ministers undertook to grant further preferences to the United Kingdom"—notwithstanding the well-known fact that a tariff preference by a self-governing Colony can only be granted by the Parliament of that Colony, and not one of them had authorised the Ministers to make such a promise.

calm inquiry ordinarily given. The people of the United Kingdom are becoming increasingly alive to the wealth of love and devotion that exists in the young sister nations, and this tends to take the edge off their criticism of unwise proposals. To use Empire sentiment in any part of the Empire for party gain ought to be judged a great offence, but to use it with a view to secure money gain for private industry is a still greater offence. Sentiment is the life-blood of a nation: it must be kept pure; and no greater mistake can be made than for public men to withhold criticism that may tend to keep it from deteriorating.

It does not seem to be recognised yet that consumers of food throughout the Empire, outside the United Kingdom, owe a debt of gratitude to the people of the United Kingdom for refusing to take up the scheme of Preference. A tax on bread stuffs in the United Kingdom, on a Preference basis, would not only raise the cost in the United Kingdom, but also correspondingly throughout the Empire; dearer bread in England means also dearer bread in Canada. This is only one illustration of many that could be given showing that the people of the United Kingdom have not been taking up a selfish position in this matter, but have really been fighting for the welfare of the people of the whole Empire.

Again and again, with justifiable pride, Canadians, Australians and other Colonists point to their boundless acres and their vast possibilities of production, and apparently they don't see that in so doing they destroy the main argument for Preference. The truth is that the Empire is much, very much, too big for tariff barriers against the rest of the world. The self-governing and other Colonies, as well as India, must trade with foreign countries, for they need the consuming powers of their vast populations. Those who believe most in the expansion of Canada, Australia, India, etc., etc., are the people, above all others,

who ought to see that the consuming powers of the United Kingdom are limited by the extent of its population, and that these are destined to be overtaken in one commodity after another, even as they are already overtaken in several commodities. Wool is a conspicuous example. Australia alone is producing more wool than the whole British Empire consumes, and yet New Zealand and South Africa also have large supplies. In bygone years, of the aggregate exports of the Empire, manufactured goods shipped by the Mother Country have been the great feature; but the time is gradually coming when, of the Empire's aggregate exports, by far the greatest feature will be the products of the Empire outside the Mother Country. In truth, therefore, Preference cannot be associated with the biggest and most human outlook of a wonderful Empire. The real "little Englanders" are those whose vision does not extend beyond the Empire.

It is clear that Preference does not improve on acquaintance. True, it has been boomed in Great Britain by Colonial statesmen, but it is also true that they in their own Protectionist Colonies have, more often than not, failed to agree; the policy did not stand the test of efforts at bargaining between Protectionists. When it was a question of giving a Preference to Free Trade England without bargaining, it was easy sailing, for a concession could be balanced, and a little more than balanced, by an increase of the sum from which the concession was to be deducted. This is what the *Times* aptly described as "derisory Preference"*; or, as in the case of Canada, where a generous and all-round Preference was given, the Preferences can be reduced in the interest of local industry when required, which has been done in that of woollens. The mind's eye can see a lurid picture of what might occur if Great Britain,

* Referring to the new Australian tariff, August, 1907.

swallowing the Preference sprat, became Protectionist, and then attempted to bargain with her Protectionist Colonies.

In this article, so far, the subject has been considered from its purely business or financial aspect. There are, however, far greater and more momentous objections to the whole scheme of Preference than any yet advanced. These objections are bound up in the history of the Empire: its position to-day, its prospects for to-morrow, and its relations with the rest of the world.

The enormous territories over which the flag of the Motherland floats to-day were mainly acquired when they were not much wanted, certainly not much needed, by other nations; and, indeed, it cannot be said that they were either greatly wanted or needed by Great Britain herself. When they were thus acquired there was not one nation in Europe that really needed any outlet for population, nor was there any country whose own food supply was insufficient. Naturally, Great Britain, with her small area, was the first European country to feel the pressure both in the direction of too many people and too little food. So far, however, as the food supply was concerned, Great Britain easily obtained from the Continent of Europe the extra supplies she required. But rapid changes, growth unparalleled, marked the nineteenth century, which, beginning with an aggregate European population of 175 millions, closed with one of 400 millions, whilst in the interval the out-flow to distant lands with its own natural increase reached another 100 millions. The world position; the relation between countries and between continents; the need, one nation of another, in regard to both room and food, have all undergone developments that are simply stupendous; developments that even yet it is probable few statesmen either fully understand or appreciate; developments that

to-day are still unfolding and which during the twentieth century must create further momentous changes.

When Great Britain took possession of millions and millions of square miles of new countries the world generally was not greatly interested in the matter, and certainly attached no importance in this connection to the fiscal policy under which the Empire was governed. But gradually as the last century advanced the sleepy world rubbed its eyes and woke up. Gold was found in vast quantities; goods were carried by steam on sea and on land; messages were carried by electricity the wide world over; science won victories in all directions; under various influences population increased as it had never increased before; emigration on a scale unknown to history developed; north and south, east and west, the nations came closer together, for distance ceased to count as it had done; and the Empire—our Empire—opening its lungs to the winds of heaven, “hitched” its “wagon” to the star of Free Trade.

The Empire position was unique and inspiring. Very little consideration will show that freedom, as the governing principle in trade, was called for; that it eminently fitted the times, the people, and the position of world politics. It was natural that the race whose sons had won for the Empire so much of the world’s vacant spaces should be the one to first make this great advance in human freedom, and it was assuredly due to the world that the Power which had possessed itself of all these lands should maintain its possession in no dog-in-the-manger spirit. The historian of the future, when he calmly records the events of the nineteenth century, will probably say that the inauguration of Free Trade not only did much to build up the British Empire, but was, almost beyond words, instrumental in reducing the natural jealousy felt by other Powers consequent upon

the monopoly of new lands which Great Britain had established, and that it was accepted as reasonable for the supremacy of the seas to be in the hands that maintained the freedom of commerce.

But the unexpected happened: the Mother Country gave self-government to one Colony after another, and the result was that first one and then another of them departed from the simple path of Free Trade and built up a tariff against the world, the Mother Country included. There was little room for complaint on the part of foreign countries so long as they and the Mother Country were equal sufferers. Yet undoubtedly every such tariff did something to weaken the strength and to lessen the nobility of the Empire position. But again the position changed, and again for the worse. The Colonies, or some of them, added to their system of Protection the system of differentiation against foreign countries: a Protection-penalty system; Protection *plus* penalty against foreign countries; Protection *minus* penalty against the Motherland.

It would be difficult to exaggerate the far-reaching importance of the principle involved. It was not long before a tariff war began between Canada and Germany, a contest which has now lasted for some years. This is very lamentable. It is difficult to see the difference between a tariff war with the Empire or one with part of the Empire, for the ultimate political responsibility is certainly that of the Empire. Few will be found willing to contend that any benefit to British trade in Canada consequent on Preference can outweigh the seriousness of a strain on the relations of Great Britain with a great European Power. It is needful very clearly to keep in view a special, perhaps *the* special, condition that marks the British Empire, differentiating it from any other that exists to-day. The countries under

its sway are equal in area to several Europes: that is a big fact. There is no area in the world equal to a substantial part of even one of our Colonies available to-day for colonisation by any other European Power; and that is a big fact. Whether the policy of Protection be financially sound or unsound, it is, at any rate, a fruitful cause of strife between nations, and evidently that danger of strife is multiplied when Protection is capable of being brought into play by any one head of a many-headed Empire. If that policy were generally adopted throughout the Empire, as well as being, as it is, entrenched in front of vast areas of lands as yet but little developed, the high-water mark of danger would surely be reached. Under the influence of the ignorance and prejudice which centre in the policy of restriction—Protection, if you will—a silly surprise is expressed that the commerce of nations, long backward, is at last expanding, when joy might be looked for, that prosperity is increasing in the family of nations.

“Political economy,” says Ruskin, “. . . is impossible except under certain conditions of moral culture.”* The present is a time to test the moral culture of the Mother Country. Though Preference is but a sprat in the balance of debits and credits of mere trading, it has in it a quality, a venom, that might easily lead to the gravest danger to the existence of the Empire.

Wealth has its responsibilities: our Empire is dowered beyond all others with fertile lands and latent riches; therefore a trading policy more generous than that of any other nation is due to the world. It has been given to the world, and cannot now be withdrawn and the skinflint policy of Protection substituted, however diluted at the first, without courting more widespread antagonism than is aroused by the same policy

* “*Munera Pulveris.*”

followed by any other nation. In art, science, manufacture, and, in fact, in everything that makes for human happiness, advancement to-day exceeds anything ever recorded in history. Never, therefore, was liberty so needed, so invaluable to civilisation and humanity, never was she so precious; to weaken in her defence would be a crime; to uphold her and to glory in her is to-day the proud privilege and the pressing duty of the United Kingdom.

EDWARD PULSFORD.

SYDNEY, *May*, 1909.

P.S.—SYDNEY, *May*, 1910.—Twelve months have passed since this paper was written, but through various causes—chiefly arising from the distance of Australia from England—its publication has been delayed. The twelve months have, however, only added force to the arguments brought forward; for not the slightest progress has been made in the interval in preferential arrangements between the Dominions themselves—the originators and supporters of Preference. On the other hand, Empire controversies have been increased in connection with the preferential, or differential tariffs, notably that of Canada. The fact that the policy called “Preference” breeds controversy and leads to disunion rather than to union is daily becoming clearer.

E. P.

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